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BAUCUS BUDGET AMENDMENT WILL CUT TAXES FOR FAMILIES, REMEMBER AMERICA'S MILITARY MEN AND WOMEN

Finance Chairman says budget surplus should provide responsible tax relief to millions

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today detailed his plans to cut taxes for America's working families, and particularly for the nation's military men and women, using surplus funds in the Senate budget proposal. As the Senate debates the budget, Baucus will advance an amendment totaling more than \$300 billion to extend important tax cuts for working families, including a tax credit provided for each child in a family and relief from the joint-filing penalty paid by America's married couples. Baucus's amendment also provides several billion dollars in fully paid-for tax relief to members of America's military, including a provision allowing combat pay to count toward eligibility for the earned income tax credit – a refundable federal income tax credit that puts cash in the hands of low-income working individuals and families. Additionally, Baucus's amendment will allow millions more Americans to deduct property taxes on their Federal returns.

“Any money left over in the budget should go back to America's working families, and we should also move now to help the military men and women giving their all for this country right now,” said Baucus. **“This amendment cuts taxes for all taxpayers – particularly married couples, parents, and soldiers – and ensures that all American homeowners get the tax relief they need. And we're paying for it with funds saved through fiscal responsibility. This tax relief for working families and for military folks is right for Montana and right for the whole country.”**

Baucus's Finance Committee has jurisdiction over U.S. tax policy. Specifically, his amendment uses surplus funds to provide:

- permanent extension of the 10 percent income tax bracket
- permanent extension of the increased refundable child tax credit, with additional eligibility for lower-income Americans
- permanent marriage penalty tax relief
- permanent extension of the tax credit for child care expenses
- permanent extension of the increased adoption tax credit
- permanent extension of 2009 estate tax law, including rate and exemption level

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To help American homeowners improve their family finances, the Baucus amendment also provides a first-of-its-kind standard deduction for property taxes for those Americans who do not itemize on their Federal tax returns. An estimated two-thirds of American taxpayers do not itemize. This amendment will make homeowners who do not itemize eligible for a property tax deduction of \$500 for single filers and \$1000 for married couples filing jointly.

Also included are the provisions of Baucus's 2007 "Defenders of Freedom Act," including:

- A permanent allowance for soldiers to count their non-taxable combat pay when figuring their eligibility for the earned income tax credit, a refundable federal income tax credit that puts cash in the hands of low-income working individuals and families.
- A tax cut for small businesses when they continue paying some salary to members of the National Guard and Reserve who are called to duty.
- An end to cumbersome rules for reporting of income when companies continue paying some salary to members of the National Guard and Reserve who are called to duty. This makes it easier for reservists to file their taxes and simpler for employers to keep contributing to those employees' retirement plans.
- The ability for active duty troops to withdraw money from retirement plans, and an allowance of two years to replace the funds without tax penalty.
- Extension of a provision that gives retired veterans more time to claim a tax refund on some types of disability benefit payments.
- Authority for the IRS to treat gifts of thanks from states to veterans—such as payments of excess state revenue—as nontaxable gifts.
- A permanent extension of a provision that gives intelligence service employees a longer period of time to meet residency requirements necessary to exclude profits from the sale of their home from capital gains tax, which is often necessary due to frequent deployment. In the legislation passed today, this provision is also extended to members of the Peace Corps.

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- Permission for a soldier's basic housing allowance to be excluded when their income status is being determined for purposes of a developer's eligibility for low-income housing credits and tax exempt bonds.
- The ability for families of Reservists killed in the line of duty to collect life insurance and other benefits provided by the civilian employer (Included in H.R. 3997).
- A permanent allowance for all veterans to use qualified mortgage bonds to purchase their homes.
- The ability for families of soldiers killed in the line of duty to contribute up to 100 percent of survivor benefits to retirement savings accounts or to education savings accounts.
- A 180-day period for Reservists called to active duty to use unspent funds in a health flexible spending account or cafeteria plan.

While surplus budget funds cover the cost of most of the Baucus provisions, military tax relief is paid for with four additional offsets. The bill makes certain that individuals who relinquish their U.S. citizenship or long-term U.S. residency pay the same Federal taxes for appreciation of assets, such as stocks or bonds, which they would pay if they sold them as U.S. citizens or residents. It also increases the penalty for entities failing to file required information returns. Another offset allows reservists returning from a tour of duty to opt back into a civilian employer's health insurance plan. Finally, the package allows the Social Security Administration and the Veterans' Administration to work together to verify low-income status when distributing veteran's benefits.

To help families along America's Gulf Coast continue to rebuild after Hurricane Katrina, the Baucus amendment also keeps those families from being hit with extra taxes when they take state grants to help rebuild their lives.

Under the amendment, any surplus budget funds remaining are to be designated for tax relief as well.

Legislative text and additional information on the Baucus budget amendment will be posted at <http://finance.senate.gov/sitepages/legislation.htm> as it becomes available.

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